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If you have sold or otherwise transferred all of your Ordinary shares of £0.00001 each in the capital of the Company (“**Ordinary Shares**”), please pass this document together with the enclosed Form of Proxy to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the Ordinary Shares. However, those documents should not be forwarded to or sent into the United States or any of its territories, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the UK should seek appropriate advice before taking any action.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List and the AIM Rules are less demanding than those of the Official List of the UK Listing Authority. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

This document does not constitute a prospectus for the purposes of the Prospectus Rules nor does it constitute an admission document prepared in accordance with the AIM Rules. Accordingly, this document has not been filed with the FCA or any other competent authority. This document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any Ordinary Shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefore. This document does not constitute an offer to the public of transferable securities and so is not subject to the requirements or any legislation that implements the EU Prospectus Directive.

MERCIA TECHNOLOGIES PLC

(Incorporated and registered in England and Wales with registered number 09223445)

Placing of 86,956,521 new Ordinary Shares at 46 pence per Ordinary Share and Notice of General Meeting

Cenkos Securities plc (“**Cenkos**”), which is authorised and regulated in the United Kingdom by the FCA and is a member of the London Stock Exchange, is the Company’s nominated adviser and broker for the purposes of the AIM Rules in connection with the Placing and, as such, its responsibilities as the Company’s nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to the Directors or to any other person or entity in respect of their reliance on any part of this document.

Cenkos is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Cenkos nor for providing advice in relation to the contents of this document or any matter referred to herein. No representation or warranty, express or implied, is made by Cenkos for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

This document should be read in conjunction with the Form of Proxy and the Notice of General Meeting set out at the end of this document. Your attention is drawn to the letter from the Chair of the Company set out on pages 7 to 16 of this document containing a recommendation from the Board that you should vote in favour of the Resolutions to be proposed at the General Meeting.

Notice of the General Meeting to be held at Forward House, 17 High Street, Henley In Arden, Warwickshire B95 5AA at 10.00 a.m. on 16 February 2017 is set out on pages 17 to 18 of this document. The accompanying Form of Proxy for use at the General Meeting should be completed in accordance with the instructions printed thereon and returned as soon as possible to the Company’s registrar, SLC Registrars, at 42-50 Hershaw Road, Walton-on-Thames, Surrey KT12 1RZ but by not later than 10.00 a.m. on 14 February 2017. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

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IMPORTANT NOTICE

Forward-looking statements

This document contains (or may contain) certain forward-looking statements with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition and performance and which involve a number of risks and uncertainties. The Company cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "**aim**", "**anticipate**", "**target**", "**expect**", "**estimate**", "**intend**", "**plan**", "**goal**", "**believe**", "**predict**" or other words of similar meaning. Examples of forward-looking statements include, amongst others, statements regarding or which make assumptions in respect of the planned use of the proceeds for the Placing, the Group's liquidity position, the future performance of the Group, future interest rates and currency controls, the Group's future financial position, plans and objectives for future operations and any other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of continued volatility in credit markets, market-related risks such as changes in interest rates and foreign exchanges rates, the policies and actions of governmental and regulatory authorities, changes in legislation, the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, the outcome of pending and future litigation or regulatory investigations, the success of future acquisitions and other strategic transactions and the impact of competition. A number of these factors are beyond the Company's control. As a result, the Company's actual future results may differ materially from the plans, goals, and expectations set forth in the Company's forward-looking statements. Any forward-looking statements made in this document by or on behalf of the Company speak only as of the date they are made. These forward-looking statements reflect the Company's judgement at the date of this document and are not intended to give any assurance as to future results. Except as required by the FCA, the London Stock Exchange, the AIM Rules or applicable law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

References

All times referred to in this document are, unless otherwise stated, references to UK time.

All references in this document to "**£**", "**pence**" or "**p**" are to the lawful currency of the UK.

PLACING STATISTICS

Placing Price	46 pence
Number of Placing Shares	86,956,521
Gross proceeds of the Placing	approximately £40.0million
Number of Ordinary Shares in issue on the date of this document	213,645,711
Number of Ordinary Shares in issue at Admission of the Placing Shares	300,602,232
Placing Shares expressed as a percentage of the Enlarged Share Capital	28.9 per cent.

EXPECTED TIMETABLE

Publication of this document	31 January 2017
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 14 February 2017
General Meeting	10.00 a.m. on 16 February 2017
Admission of Placing Shares	8.00 a.m. on 17 February 2017
Expected date for CREST accounts to be credited in relation to Placing Shares	17 February 2017
Despatch of definitive share certificates (where applicable) in relation to Placing Shares	by 24 February 2017

Notes:

1. Certain of the events in the above timetable are conditional upon, amongst other things, the approval of the Resolutions at the General Meeting.
2. If any of the events contained in the timetable should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

Act	the Companies Act 2006, as may be amended from time to time
Admission	the admission of the new Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
AIM	the market of that name operated by the London Stock Exchange
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange governing admission to and trading on AIM, as may be amended from time to time
AIM Rules for Nominated Advisers	the AIM Rules for Nominated Advisers published by the London Stock Exchange setting out the eligibility, on-going obligations and certain disciplinary matters in relation to nominated advisers, as may be amended from time to time
Board	the board of directors of the Company
certificated or in certificated form	the description of a share or security which is not in uncertificated form (that is, not in CREST)
Company or Mercia	Mercia Technologies PLC
Centkos	Centkos Securities plc, the Company's nominated adviser and broker and acting as sole bookrunner for the Placing
CREST	the relevant systems for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the CREST Regulations
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), including (i) any enactment or subordinate legislation which amends or supersedes those regulations and (ii) any applicable rules made under those regulations for the time being in force
Directors	the directors of the Company, whose names are set out on page 7 of this document
Emerging Stars	has the meaning given to it in paragraph 2.1 of Part I of this document
Enlarged Share Capital	the Ordinary Shares in issue immediately following the issue and allotment of the Placing Shares at Admission
Enterprise Ventures	Enterprise Ventures Group Limited
EU Prospectus Directive	Directive 2003/71/EC
Existing Ordinary Shares	the Ordinary Shares in issue as at the date of this document
FCA	the Financial Conduct Authority
Form of Proxy	the form of proxy for use by Shareholders in connection with the General Meeting

FSMA	the Financial Services and Markets Act 2000, as may be amended from time to time
General Meeting	the general meeting of the Company convened for 10.00 a.m. on 16 February 2017 (or any adjournment or postponement thereof)
Group	the Company, together with its subsidiaries and subsidiary undertakings
IPO	the initial admission of the entire issued ordinary share capital of the Company to trading on AIM, which took place on 18 December 2014
London Stock Exchange	London Stock Exchange plc
Notice of General Meeting	the notice of General Meeting, set out at the end of this document
Official List	the official list of the UK Listing Authority
Ordinary Shares	Ordinary shares of £0.00001 each in the capital of the Company
Placing	the placing of the Placing Shares pursuant to the Placing Agreement
Placing Agreement	the placing agreement dated 30 January 2017 between (1) the Company and (2) Cenkos relating to the Placing
Placing Shares	86,956,521 new Ordinary Shares which are to be placed in accordance with the terms of the Placing, conditional <i>inter alia</i> on the passing of Resolutions 1 and 2
Prospectus Rules	the Prospectus Rules made by the FCA under Part VI of FSMA
Resolutions	the resolutions set out in the Notice of General Meeting
Shareholders	holders of Ordinary Shares
SMEs	small and medium sized enterprises
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of FSMA

PART I

LETTER FROM THE CHAIR

MERCIA TECHNOLOGIES PLC

(Incorporated and registered in England and Wales with registered number 09223445)

Directors:

Susan Searle (*Non-executive Chair*)
Dr. Mark Payton (*Chief Executive Officer*)
Martin Glanfield (*Chief Financial Officer*)
Matthew Mead (*Chief Investment Officer*)
Jonathan Diggines (*Executive Director, Funds*)
Ray Chamberlain (*Non-executive Director*)
Ian Metcalfe (*Non-executive Director*)
Martin Lamb (*Non-executive Director*)

Registered Office:

Forward House
17 High Street
Henley-in-Arden
Warwickshire
B95 5AA

31 January 2017

To holders of Ordinary Shares and, for information purposes only, to the holders of options to subscribe for Ordinary Shares

Dear Shareholder

Placing of 86,956,521 new Ordinary Shares at 46 pence per Ordinary Share and Notice of General Meeting

1. Introduction

The Company announced on 31 January 2017 a placing of, in aggregate, 86,956,521 Placing Shares at 46 pence per Placing Share. The Placing Price represents a discount of approximately 8.9 per cent. to the closing mid-market price of 50.5 pence per Ordinary Share on 30 January 2017 (being the last practical date prior to the announcement of the Placing).

Once completed, the gross proceeds from the Placing will be approximately £40.0million. The primary purpose of the Placing is to accelerate the development of the Group's existing portfolio companies and to capture the opportunity to invest in new direct investment opportunities across its target sectors nationally and specifically within the UK regions. The number of opportunities has been significantly enhanced through the acquisition of Enterprise Ventures in March 2016 which took the number of investee technology companies in the Group's third party managed funds from circa 35 to circa 150. The allotment of the Placing Shares is conditional, *inter alia*, upon the Company obtaining approval of Shareholders at the General Meeting to grant the Directors the authority to allot such Placing Shares and to disapply statutory pre-emption rights which would otherwise apply to such allotment.

The purpose of this document is to explain the background to and reasons for the Placing, to explain why the Board considers the Placing to be in the best interests of the Company and its Shareholders, and why the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their beneficial interests amounting, in aggregate, to 67,348,065 Ordinary Shares representing 31.5 per cent. of the Existing Ordinary Shares.

2. Background to, and reasons for, the Placing

2.1 The Mercia model

Mercia is a national investment company focused on the creation, funding and scaling of innovative businesses with high growth potential from the UK regions. Mercia uses its 'Complete Capital Solution' to

initially nurture early stage businesses via its third party funds and then over time, as these businesses develop, to provide further funding to the most promising businesses (“**Emerging Stars**”) using its own capital. This approach allows the Group to monitor and nurture a large pool of early stage businesses before committing its own capital to a small proportion of the managed funds’ investee businesses, therefore substantially de-risking the Group’s investment process in respect of its direct investment strategy.

Mercia’s vision is to become a leader in its sector and to achieve this, the Company is:

- focusing on technology rich sectors with high growth potential in which the Group has developed significant expertise, namely Software & the Internet, Digital & Digital Entertainment, Electronics, Materials & Manufacturing/Engineering and Life Sciences & Biosciences;
- building a team of Investment Directors with significant industry and investment experience. With circa 60 employees, 26 of whom are threshold competent investment executives, Mercia benefits from a blended team of industry veterans, successful entrepreneurs and venture capitalists, providing the necessary insight to scale and exit investments across its selected sectors;
- seeking strategic syndication into the direct investments in which material equity positions have been established, thus achieving progressive valuations whilst retaining meaningful equity holdings until an appropriate exit path is chosen;
- expanding the size of its managed funds to invest in a sustainable pipeline of future Emerging Stars, whilst also generating fee income to materially offset the Group’s operating costs;
- continually assessing its operating environment to evaluate acquisition opportunities of complementary businesses or investment assets;
- leveraging its relationships with universities, accelerators, incubators, other deal flow sources and its in-house business creation experience, to target known market opportunities; and
- operating in the capital-underserved regions of the Midlands, the North of England and Scotland where having a local presence provides a material advantage in identifying and supporting some of the most promising and innovative technology businesses.

Mercia aims to build a material stake when investing directly, typically between 20 to 40 per cent. before considering syndication. This enables Mercia to benefit from the value created in scaling the business and to exert a degree of influence as a principal shareholder.

Valuation approach

The Company conducts half yearly valuations of its portfolio based on International Private Equity and Venture Capital Valuation Guidelines (the “**IPEV Guidelines**”). In line with the IPEV Guidelines, investments are held initially at cost or the price of a recent funding round, with subsequent fair value movements triggered by external third party validation or comparable company metrics where available, once a portfolio company is in revenue growth or reaches profitability. In addition the Company may, from time to time, engage a professional adviser to provide an opinion on the valuation of a portfolio company, when there has been material commercial progress in the business and, in the absence of a recent funding round, the holding value is considered to be out of date. Similarly, in the event that an investee company is materially behind plan, Mercia may adjust, in accordance with its valuation policy, the equity valuation on a 25 per cent. declining basis, against the previously reported holding value. Individual portfolio company valuations are discussed and agreed with the Company’s auditors as part of the annual statutory audit and interim results review process.

2.2 Mercia’s 2014 IPO

At its IPO on 18 December 2014, Mercia successfully raised £70.0million gross proceeds with the specific proposed use of funds:

- 70 to 80 per cent. of funds to invest into existing or new direct investments, including sector consolidation platforms. By 31 March 2017 Mercia expects to have invested approximately 58 per cent. of the IPO proceeds into existing and new Emerging Stars and have approximately 17 per cent. of the original IPO proceeds remaining; and

- 20 to 30 per cent. of funds for regional expansion, recruitment of experienced staff, working capital, IPO costs and selective complementary acquisitions. By 31 March 2017 Mercia expects to have spent approximately 25 per cent. of the IPO proceeds on its IPO costs, trading and acquisition activities.

2.3 Progress since IPO

Mercia has benefitted from accelerated expansion since its debut on AIM via a combination of organic and acquired growth as follows:

- university partnerships have grown from nine to 18 as at 30 September 2016;
- direct investment portfolio has grown from 11 to 26 companies as at 30 September 2016;
- direct investment value has grown from £9.0million to £46.6million as at 30 September 2016;
- over £30.0million has been invested across its portfolio of Emerging Stars;
- acquisition of Enterprise Ventures: one of the leading providers of investment capital for SMEs in the North of England, Enterprise Ventures was acquired on 9 March 2016 for a total consideration of up to £11.0million plus £2.0million of net cash. The acquisition has resulted in:
 - managed funds growing from circa £22.0million to circa £228.0million;
 - materially increased trading revenue with the majority of the Group's operating costs now being covered by the total revenues being generated;
 - pipeline of new potential direct investments (via the Group's managed funds) growing from circa 35 companies to circa 150;
 - office locations which provide access to, and management of, early-stage deal flow have grown from two to six; and
- experienced investment team and professional back office staff numbers have grown from circa 10 at IPO to circa 60, including Enterprise Ventures' staff, reflecting the planned scaling of the Group.

Mercia's objective of creating a stable, sustainable and scalable infrastructure has been successfully achieved. In parallel, the Directors are focused on building value from the direct investment portfolio to realise shareholder value over the medium term. Given the time frame to maximise the value of an investment, Mercia's strategy is to hold investments for the medium to long term, while taking advantage of value crystallisation opportunities that may arise.

First exit

The sale of Allinea Software Limited ("**Allinea**") to ARM Limited ("**ARM**") in December 2016 for a total cash consideration of up to £18.1million is a good illustration of the Company's strategy. Allinea is a leading provider of software tools for developing and optimising high performance computing applications. In 2009, Mercia identified the investment opportunity and led the funding of a management buyout of Allinea from a University of Warwick spinout. Over a period of seven years, with backing from Mercia, Allinea was scaled into a profitable, cash generative and dividend paying business before being sold to ARM, the world's leading semiconductor IP company. This first full cash divestment demonstrates how Mercia can create significant value through its Complete Capital Solution, delivering a return of circa 1.7x on Mercia's total investment cost and an immediate realised gain of £0.7million, compared with the holding value of £1.9million as at 30 September 2016.

2.4 Mercia's direct investment portfolio

The 26 direct investments (including Allinea) were held at a combined value of £46.6million on 30 September 2016. Of those, the 18 leading direct investments accounted for £45.7million (98.0 per cent.) of the total carrying value of the portfolio, with 77.8 per cent. of the carrying value found within the top 10 assets. In the period from IPO to 30 September 2016 across the entire portfolio, £7.6million (25.4 per cent.) has been invested in the Software & the Internet sector, £9.8million (32.6 per cent.) in Digital & Digital Entertainment, £7.8million (25.9 per cent.) in Electronics, Materials & Manufacturing/Engineering and £4.8million (16.0 per cent.) in Life Sciences & Biosciences. The continual monitoring and balancing of the direct investment portfolio (by value and number) ensures that no single company or sector overweighs the portfolio and therefore the exposure to any one sector is mitigated. As at 30 September 2016, the number of portfolio companies in each sector were:

- Software & the Internet – six;
- Digital & Digital Entertainment – five;
- Electronics, Materials & Manufacturing/Engineering – seven; and
- Life Sciences & Biosciences – eight.

The direct investment portfolio, often benefiting from strong corporate partnerships, has significantly grown since IPO. Net fair value gains in the most recent interim results period were £2.8million and since IPO, net fair value gains have totalled £7.6million.

Recent progress by 13 of the Group's leading direct investments is summarised below.

Software & the Internet

The Gartner Worldwide IT Spending Forecast (a leading indicator of technology trends across the hardware, software, IT services and telecom markets) provides a sense of scale to this sector, estimating that worldwide IT spend is forecast to total \$3.5trillion in 2017. The global enterprise software market is worth c\$357billion (Gartner), the information security market is worth c\$75.0billion (Gartner) and the artificial intelligence market is expected to be worth \$70.0billion in next five years (Bank of America Merrill Lynch).

Mercia focuses principally on application software and security solutions targeting businesses with the potential for fast growing, scalable revenues.

Science Warehouse Limited

Founded in 2000 and a Leeds University spinout, Science Warehouse delivers a cloud-based procurement, catalogue and spend analysis platform with a highly intuitive user interface, ensuring customers have control of the purchasing cycle from requisition to payment, helping deliver cost savings and manage spend. Its core vertical markets are in further education and health services. The Science Warehouse business continues to make progress. The company has experienced encouraging results in Australia where it recently opened a sales office.

Ton UK Limited – trading as Intelligent Positioning

Intelligent Positioning is a developer of real-time search intelligence and search engine optimisation analytics solutions for businesses. The company helps businesses to optimise their web presence through detailed and actionable reports on search ranking performance against key competitors. It works with agencies and leading brands to help them enhance their online presence. Customers include L'Oreal, Financial Times, Invesco Perpetual and Legal & General. The company is seeing revenue growth and the team has recently opened a new sales office in New York and has started to make inroads into the much larger US market.

Digital & Digital Entertainment

The global digital games market is forecast to grow from close to \$81.3billion in 2014 to \$113.0billion in 2018, making it the largest market in the entertainment sector (Newzoo/Ukie). The total virtual reality (“VR”) market is expected to be worth \$30.0billion by 2020. China is now the largest single games market.

The UK is recognised globally as a centre of real expertise in game development, publishing and creativity and the Group continues to see a strong flow of opportunities. Examples within Mercia's direct investments in this sector include:

nDreams Limited

nDreams was founded in 2006 by Patrick O'Lunaigh, the creative director of Tomb Raider, as a game and experiences developer. Created initially to provide content for Sony PlayStation Home virtual world (a virtual 3D social gaming platform for the PlayStation 3), Mercia later leveraged this expertise through its managed funds to position nDreams as one of the first organisations to move into software development purely for VR.

In the last six months the management team has made excellent progress building out a portfolio of games and experiences for both high end and mobile VR, including the successful launch of The Assembly in July 2016 which made it to number one in the Oculus VR charts. Meanwhile, development continues on

many fronts including two exclusive titles for the new Google VR platform, Daydream. One of the titles was released simultaneously with the platform launch in late 2016.

VirtTrade Limited

VirtTrade has developed an engine that takes the principle of a traditional printed trading card collection and turns it into an interactive digital trading experience. This results in the players being able to trade one digital card for many globally in an open market. Unlike traditional trading cards, the VirtTrade platform can take live data feeds from the player, the brand or IP owner and the outside world. This enriches the trading experience as well as providing some exciting and novel opportunities.

In the last six months VirtTrade has continued to build on its global relationship with Panini, which has recently released the 2017 version of its digital collectible app NFL GRIDIRON, making it to number one in the US sports IOS charts just two weeks after release. Panini has provided marketing support for the title through the months to Christmas. The updated and improved NBA Dunk app was also released before Christmas plus one other new title.

Edge Case Games Limited

Edge Case Games was established in June 2014 as a new business under Mercia's guidance using seed and early stage finance through its third party funds and is a free to play, games-as-a-service business. The business, which is led by industry veterans James Brooksby and Chris Mehers, operates in the massive multiplayer online ("MMO") sub-sector of the gaming market. The team successfully took 'Fractured Space', their space PC game, out of Steam's 'Early Access' and into a full launch in September 2016. Early download and sales data have been strong with average revenue per paying customer as high as \$20 and the company achieved more than 150,000 unique installs of the innovative game during the first week following the launch as a free to play title.

Electronics, Materials & Manufacturing/Engineering

Manufacturing in the UK contributes 11 per cent. of UK Gross Value Added, employing over 2.6million people. Over recent years there has been a resurgence of advanced manufacturing in the UK and this is evidenced by the many examples of innovation in the areas of material and hardware technology throughout the UK regions where Mercia is active.

Smart Antenna Technologies Limited

A University of Birmingham spinout, the company is developing multi-function antenna solutions for mobile phones, tablets, laptops and smart TVs and its highly scalable technology has the potential to lower costs, reduce size, increase frequency range and offer much needed performance gains over existing designs and technologies. In the last six months the management team has continued to engage with leading global manufacturers of portable devices.

Impression Technologies Limited

Impression Technologies is involved in the forming of complex, high strength, lightweight, ductile components used in the automotive, rail and aerospace industries. The company's patented heat treatment, forming and in-die quenching (HFQ®) technology was developed by Impression Technologies, building on founding research at the University of Birmingham and Imperial College. The result is complex but lightweight aluminium components which do not compromise the strength or metallurgical properties of the material. The business has begun production at its new pilot pressing facility.

Warwick Audio Technologies Limited

A University of Warwick spinout, Warwick Audio Technologies has developed and patented a new style of electrostatic speaker. This speaker is extremely lightweight, thin, flexible and produces a very high quality audio sound. The novel manufacturing process pioneered with this design enables these speakers to be produced reliably at scale to a very high standard, with consistent performance. This makes them potentially one of the most cost-effective Hi-Res audio transducers on the market. In the last six months, the company has worked on delivering its product to the headphone market, initially focusing on the audiophile segment with a wired at-home product. Over the next 12 months, it will turn its focus to the wireless closed back premium portable segment, where the company believes that major opportunities lie in creating a premium

product for the iPhone 7 and other portable players. In the long term, the company will look to expand into other markets where the characteristics of its technology deliver benefits, in particular the automotive market. The company has recently announced the appointment of former BOSE VP, Gary Waters, to the board as a non-executive director.

sureCore Limited

The company was established under the direction of Enterprise Ventures and is an example of a startup which was specifically built by the investment team leveraging its expansive networks. It is led by a team of industry experts with a combined experience of nearly 100 years. The company develops and licenses low power and low operating voltage embedded memory (“**SRAM**”) IP designs for the semiconductor industry. sureCore is addressing the growing demand for more memory and lower power consumption in leading edge devices, such as those serving the networking space as well as the Internet of Things (“**IoT**”) and wearable and consumer/handheld products. In the last six months the company has received verbal confirmation from a large Japanese customer of its intention to license the technology for its next product development.

Life Sciences & Biosciences

The Life Sciences & Biosciences sector is of particular interest to Mercia with 98 per cent. of the medical technology (MedTech) sector in the UK driven by SMEs (Office for Life Sciences). One subsector of strong interest to Mercia is diagnostics, with the worldwide in vitro diagnostics (“**IVD**”) market being estimated to be worth \$71.0billion globally by 2020. This means that there is a wealth of investment opportunities in this subsector.

Concepta plc

Like sureCore, Concepta is an example of a startup established by the Enterprise Ventures investment team and its professional networks. The company is developing a portfolio of women’s health diagnostics which monitor pregnancy, fertility and menopause. This is initially targeted at the Chinese market but will have the potential for rollout to the rest of the world. The choice of China as the initial market reflects the core management strength and knowledge of the Chinese consumer diagnostic market and a clear market need as the current gold-standard western-developed devices are not currently available. The last six months have been extremely busy following the company’s successful admission to AIM, which took place in July 2016. The focus for the management team is now the siting of a new manufacturing plant in Yorkshire and the launch of MyLotus in China later this year and, subsequent to CE marking, targeting its launch in the UK and Europe in 2017.

Oxford Genetics Limited

Oxford Genetics has rapidly grown into one of the leading players in synthetic biology and is a specialised contract research organisation offering services to support the discovery, development and production of biologics, gene and cell therapies. The company has expertise in designing DNA, optimising expression of proteins, cell line development and improving viral gene delivery systems. In the last six months the team has moved to new purpose fitted 6,000 sq ft facilities, achieved ISO quality status, expanded its commercialisation and management teams and its board and is now providing services to a number of pharmaceutical clients. Over the next 12 months the company aims to license its technologies in the rapidly expanding markets of cell and gene therapy.

The Native Antigen Company Limited

Based on technology and expertise from the University of Birmingham, this is another business created under the guidance of Mercia. The Native Antigen Company specialises in the research, development and scale-up manufacturing of highly pure viral and bacterial native antigens. It trades with over 50 organisations worldwide with exports accounting for 90 per cent. of its sales, much of which is annual repeat business. Revenues continue to grow and this year doubled, taking the business into profitability and cash generation. The next step for the business is to further develop its growth opportunities and explore related applications of its technology, with a strong focus on the infectious disease sector.

Medherant Limited

Medherant is a University of Warwick spinout and is an IP-rich business focused on developing a transdermal drug delivery patch, known as the TEPI Patch®, for the widely used pain management drugs Ibuprofen and methyl salicylate. The technology was co-developed with Bostik using their latest proprietary adhesive technology. The patch will also provide wider drug delivery opportunities across a number of pharmaceutical areas. As a result of the patch's ease of manufacture, efficient drug delivery and reduced use of material, the technology also has the potential to remove huge cost burdens from healthcare systems.

2.5 Third party funds

Mercia differentiates itself from its comparators through the scale and varied nature of its third party managed funds, which total circa £228.0million, supporting the early stage investment activity of the Group. Mercia's third party funds are generating a pipeline of potential new direct investments for the Group and importantly the revenues generated therefrom contribute materially to covering the Group's operating costs. This ensures that the vast majority of the Group's cash is deployed into direct investment activity rather than funding operating losses, which leads directly to net asset erosion.

Looking forward, in addition to the Company's ability to raise and deploy Enterprise Investment Scheme ("EIS") and Seed EIS investment capital at a growing rate of circa £10.0million per annum, Mercia is also participating in the bidding process to manage certain public sector supported regional funds such as those connected to the Northern Powerhouse, Midlands Engine Room and North East investment funds. The Board believes that this pipeline of managed funds provides a sustainable investment platform for Mercia.

2.6 Current trading and outlook

The Group announced its most recent interim results on 10 November 2016. Financial performance was on plan for the six months to 30 September 2016, with the Group reporting revenues of £2.9million (2015: £0.7million), mainly generated from its fund management activities. The Group reported a profit after tax of £1.1million for the period. Since then, on 16 December 2016, Mercia has also announced its first cash exit, with the sale of Allinea achieving a return of 1.7x on Mercia's total investment cost and an immediate realised gain of £0.7million, compared with the holding value of £1.9million as at 30 September 2016.

Central to Mercia's investment philosophy are three consistent themes; ambition, expertise and sustainability. The Directors have significant ambition to scale Mercia through informed decision making, resulting in a sustainable business model and a growing portfolio capable of delivering long term shareholder value. Since IPO Mercia has established itself as a leading investor in the Midlands and the North of England with a regional infrastructure capable of accessing and building dynamic, ambitious businesses within Mercia's sectors of focus, leveraging its deal flow networks and university partnerships. Mercia has also commenced its investment activities in Scotland via its Edinburgh office.

The Directors are optimistic about the commercial opportunities facing the Group's portfolio companies as a whole and their potential for delivering shareholder returns.

2.7 Reasons for the Placing

The Directors believe that there are significant opportunities to invest in both existing and new Emerging Stars. Since their initial funding, a number of the Company's Emerging Stars would now benefit from further capital to scale globally. In addition, the pipeline of potential direct investments from the Group's managed funds was materially expanded with the acquisition of Enterprise Ventures. As a result it is envisaged that there will be a marked growth in capital deployment over the coming 12 to 24 months.

In summary, the net proceeds of the Placing will enable Mercia to:

- scale the growth of its existing direct investments;
- add new direct investments from the greatly expanded managed funds portfolio;
- where appropriate and value enhancing, continue to appraise complementary acquisition opportunities; and
- fund Mercia's relatively low net operating costs.

In addition, the Directors believe that liquidity in the Company's shares may be enhanced following the Placing as a result of the enlarged share capital and shareholder register.

The Board believes that the strategic direction of the Group has now been set, with a greatly enlarged pipeline of future investment prospects and a growing portfolio of direct investments with significant exit potential in the years ahead, as demonstrated by the recent sale of Allinea. The Directors unanimously believe that the Placing will significantly enhance shareholder value over the medium term, via sustained growth in net asset value.

3. The Placing

86,956,521 Placing Shares have been placed with placees at the Placing Price to raise gross proceeds of approximately £40.0million. The Placing is not underwritten.

The Placing Price of 46 pence per Share represents a discount of approximately 8.9 per cent. to the closing mid-market price of 50.5 pence per Ordinary Share on 30 January 2017 (being the last practical date prior to the announcement of the Placing).

The Placing of the Placing Shares is conditional, *inter alia*, on the approval of Resolutions 1 and 2 at the General Meeting of the Company to be held at 10.00 a.m. on 16 February 2017 and upon Admission of the Placing Shares to trading on AIM. It is expected that Admission of the Placing Shares will occur on 17 February 2017.

The Directors intend to vote in favour of each of the Resolutions in respect of their aggregate beneficial interest of 67,348,065 Ordinary Shares, representing approximately 31.5 per cent. of the Existing Ordinary Shares.

The Placing Shares issued pursuant to the Placing will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after their date of issue.

4. Use of proceeds

The Placing is expected to raise gross proceeds of approximately £40.0million.

The expected application of funds raised in the Placing through to 31 March 2019, after expenses, is as follows:

- at least 90 per cent. to invest into existing and new direct investments, including sector consolidation platforms; and
- up to 10 per cent. to fund net operating costs.

5. The Placing Agreement

Pursuant to the terms of the Placing Agreement, Cenkos, as agent for the Company, conditionally agrees to use its reasonable endeavours to place the Placing Shares on a non-underwritten basis at the Placing Price.

The Placing Agreement contains certain warranties from the Company in favour of Cenkos in relation to, *inter alia*, certain matters relating to the Company and its business. In addition, the Company has agreed to indemnify Cenkos in relation to certain liabilities it may incur in respect of the Placing. Cenkos has the right to terminate the Placing Agreement in certain circumstances prior to Admission including, without limitation, in the event of a material breach of the Company to comply in any material respect with its obligations under the Placing Agreement, the occurrence of a *force majeure* event or a material adverse change in the financial condition of the Group. Under the terms of the Placing Agreement the Company has agreed to pay Cenkos commissions based on the number of Placing Shares which are the subject of the Placing. Cenkos has elected to utilise approximately 70 per cent. of its commissions to subscribe for Placing Shares in the Placing.

6. Admission and dealings

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared following Admission. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on 17 February 2017.

7. General Meeting

A notice convening the General Meeting to be held at Forward House, 17 High Street, Henley-in-Arden, Warwickshire B95 5AA, at 10.00 a.m. on 16 February 2017 is set out at the end of this document. At the General Meeting, the following Resolutions will be proposed:

Resolutions relating to the Placing (Resolutions 1 and 2)

Resolutions 1 and 2 will be proposed to grant the Directors the authority to allot the Placing Shares (which are equivalent to approximately 28.9 per cent. of the Enlarged Share Capital) without first offering them to existing Shareholders on a pre-emptive basis.

The Directors believe it would not be in the Shareholders' best interests to incur the significant additional expense that would be required to implement a fully pre-emptive offer of Ordinary Shares to Shareholders. The Directors have therefore concluded that seeking general authority from Shareholders to issue the Placing Shares other than on a pre-emptive basis is the most flexible and cost effective method available to the Company.

Resolutions relating to general authority to allot Ordinary Shares and waiver of pre-emption rights (Resolutions 3 and 4)

Resolutions 3 and 4 will, if passed, renew the authorities given to the Directors to allot Ordinary Shares on a non-pre-emptive basis at last year's annual general meeting on 19 September 2016, but reflecting the increased number of Ordinary Shares comprised in the Enlarged Issued Share Capital broadly on the same terms as the equivalent resolution passed at that meeting.

The authority sought under these Resolutions will expire at the earlier of the conclusion of the annual general meeting of the Company in 2017 or 30 September 2017.

8. Directors' participation in the Placing

The Directors are subscribing for the following Ordinary Shares pursuant to the Placing:

<i>Director</i>	<i>No. of Ordinary Shares subscribed for pursuant to the Placing</i>	<i>Resulting holding of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
Susan Searle	54,348	1,097,388	0.37%
Mark Payton	32,609	6,655,472	2.21%
Martin Glanfield	32,609	293,369	0.10%
Matthew Mead	32,609	75,730	0.03%
Jonathan Diggines	54,348	857,919	0.29%
Ray Chamberlain	2,450,056	60,824,766 ⁽¹⁾	20.23%
Ian Metcalfe	32,609	132,609	0.04%
Martin Lamb	32,609	132,609	0.04%

(1) Ray Chamberlain is personally interested in 6,149,752 Ordinary Shares at Admission. The remaining 54,675,014 Ordinary Shares will be at Admission held by Forward Innovation Fund (34,072,336 Ordinary Shares), Croftdown Limited (3,994,786 Ordinary Shares), Mercia Growth Nominees Limited (126,436 Ordinary Shares) and Forward Nominees Limited (as nominee for certain members of the Chamberlain family (including Ray Chamberlain)) (16,481,456 Ordinary Shares).

9. Related party transactions

Woodford Investment Management and Invesco Perpetual have conditionally subscribed for 31,375,000 Placing Shares and 26,130,000 Placing Shares respectively at the Placing Price. The subscription of Placing Shares by Woodford Investment Management and Invesco Perpetual are related party transactions pursuant to the AIM Rules. Cenkos, the Company's nominated adviser, considers that the terms of the subscriptions by Woodford Investment Management and Invesco Perpetual in the Placing are fair and reasonable insofar as the Shareholders are concerned.

10. Action to be taken

A Form of Proxy for use at the General Meeting is enclosed with this document. Whether or not you propose to attend the General Meeting in person, you are requested to complete the Form of Proxy and to return it to the Company's registrar, SLC Registrars, at 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1RZ so as to arrive not later than 10.00 a.m. on 14 February 2017. Unless the Form of Proxy is received by this date and time, it will be invalid. The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person if you so wish.

Recommendation

The Directors consider the Resolutions to be proposed at the General Meeting to be in the best interests of the Company and the Shareholders as a whole. Consequently, the Directors unanimously recommend that you vote in favour of the Resolutions, as they intend to do themselves in respect of their beneficial interests amounting, in aggregate, to 67,348,065 Ordinary Shares representing approximately 31.5 per cent. of the Existing Ordinary Shares.

Yours faithfully

Susan Searle
Non-executive Chair

PART II

MERCIA TECHNOLOGIES PLC

(Incorporated and registered in England and Wales with registered number 09223445)

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting (“**GM**”) of Mercia Technologies PLC (the “**Company**”) will be held at Forward House, 17 High Street, Henley-in-Arden, Warwickshire B95 5AA on 16 February 2017 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 and 3, as ordinary resolutions and, in the case of resolutions 2 and 4, as special resolutions):

ORDINARY RESOLUTION

1. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “**Act**”) to exercise all powers of the Company to allot Ordinary shares of £0.00001 each in the capital of the Company (“**Ordinary Shares**”) up to an aggregate maximum nominal amount of £869.57 pursuant to the Placing (as defined in the circular of the Company dated 31 January 2017) provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next annual general meeting of the Company and 30 September 2017.

SPECIAL RESOLUTION

2. That, subject to the passing of resolution 1, the Directors be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolution 1 above as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment up to an aggregate nominal amount of £869.57 and provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next annual general meeting of the Company and 30 September 2017.

ORDINARY RESOLUTION

3. That, subject to the passing of resolution 2, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate maximum nominal amount of £300.61 provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next annual general meeting of the Company and 30 September 2017 save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the expiry of such authority and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall replace the existing authority to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company previously granted to the Directors at the annual general meeting of the Company held on 19 September 2016 pursuant to section 551 of the Act.

SPECIAL RESOLUTION

4. That, subject to the passing of resolution 3, the Directors be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution 3 above or by way of sale of treasury shares as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment and/or sale of equity securities up to an aggregate nominal amount of £300.61 and provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next annual general meeting of the Company and

30 September 2017 save that the Company shall be entitled to make, prior the expiry of such authority, offers or arrangements which would or might require equity securities to be allotted and/or sold after such expiry, and the Directors may allot and/or sell equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. The authority granted by this resolution shall replace the existing authority previously granted to the Directors at the annual general meeting of the Company held on 19 September 2016 to allot equity securities for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply.

Dated: 31 January 2017

Registered Office:

Forward House
17 High Street
Henley-in-Arden
Warwickshire
B95 5AA

By order of the Board:

Martin Glanfield
Secretary

Notes:**Proxies**

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the GM. A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend, speak and vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by a member. To appoint more than one proxy, the proxy form should be photocopied and the name of the proxy to be appointed indicated on each form together with the number of Ordinary Shares that such proxy is appointed in respect of (which, in aggregate, should not exceed the number of Ordinary Shares held by the member). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
2. A form of proxy is enclosed with this notice. Forms of proxy may also be obtained on request from the Company's registered office. In order to be valid any proxy form appointing a proxy must be returned duly completed no later than 10.00 a.m. on 14 February 2017 (or, if the GM is adjourned, no later than 48 hours before the time fixed for the adjourned meeting), in hard copy form by post, by courier, or by hand to the Company's registrar, SLC Registrars, 42-50 Hershaw Road, Walton-on-Thames, Surrey KT12 1RZ. Submission of a proxy appointment will not preclude a member from attending and voting at the GM should they wish to do so. To direct your proxy on how to vote on the resolutions, mark the appropriate box on your proxy form with an 'x'. To abstain from voting on a resolution, select the relevant 'Vote withheld' box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the GM.
3. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be returned to the office of the Company's registrar with your proxy form.

Thresholds and entitlement to vote

4. To be passed, ordinary resolutions require a majority in favour of the votes cast in person or by proxy at the GM and special resolutions require a majority of not less than 75 per cent. of members who vote in person or by proxy at the GM. On a show of hands every shareholder who is present in person (or being a company is present by a representative not himself a shareholder) and who is allowed to vote at a general meeting shall have one vote. Upon a poll every member holding Ordinary Shares who is present in person or by proxy (or being a company is represented) shall have one vote for every Ordinary Share of which he is the registered holder.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at 6.00 p.m. on 14 February 2017 (or if the GM is adjourned, members entered on the Register of Members of the Company no later than 48 hours before the time fixed for the adjourned GM) shall be entitled to attend, speak and vote at the GM in respect of the number of Ordinary Shares registered in his name at that time. Changes to entries on the register of members of the Company after 6.00 p.m. on 14 February 2017 shall be disregarded in determining the rights of any person to attend, speak or vote at the GM.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
7. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same Ordinary Share.
8. As at 30 January 2017, being the latest practicable date before the publication of this notice of GM, the Company's issued share capital consisted of 213,645,711 Ordinary Shares each carrying one vote. Therefore the total voting rights in the Company as at 30 January 2017 is 213,645,711.

